

**CHAPTER 8. OPERATING MATERIALS AND SUPPLIES****TABLE OF CONTENTS**

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## CHAPTER 8. OPERATING MATERIALS AND SUPPLIES

### 8.1 OVERVIEW.

- 8.1.1 Purpose. This chapter prescribes accounting policies for NASA owned operating materials and supplies. When accounting treatment for specific circumstances is not discussed in this chapter, reference should be made to Statements of Federal Financial Accounting Standards (SFFAS) No. 3, Accounting for Inventory and Related Property, for guidance.
- 8.1.2 Applicability. These requirements are applicable to NASA Headquarters and NASA Centers, including Component Facilities, and to NASA contractors, to the extent that the asset reporting requirements are incorporated in contracts. This chapter applies to all NASA owned and, and NASA owned Contractor-held operating materials and supplies.

### 8.2 AUTHORITIES AND REFERENCES.

- 8.2.1 Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment (as amended by SFAS Numbers 14, 16, and 23)
- 8.2.2 Statement of Federal Financial Accounting Standards (SFFAS) No. 3, Accounting for Inventory and Related Property

### 8.3 ROLES AND RESPONSIBILITIES.

- 8.3.1 Center Chief Financial Officer (CFO)/Deputy Chief Financial Officer (Finance) (DCFO)(F). The Center DCFO(F), or the Center DCFO if a Center DCFO(F) has not been designated, is responsible for ensuring that adequate financial controls are in place and financial records and reports accurately reflect the status of the operating materials and supplies under the cognizance of the Center. Their responsibilities also include maintaining close liaison with Center Supply and Equipment Management Officer (SEMO) for the accurate recording of the operating materials and supplies in the Center's general ledger and reconciling them with the SEMO's detailed records.
- 8.3.2 Agency Office of the CFO (OCFO), Property Branch. The Agency OCFO, Property Branch is responsible for adequate agency wide financial and general ledger control over the Agency's operating materials and supplies.

### 8.4 DEFINITIONS.

- 8.4.1 Operating Materials and Supplies (OMAS). OMAS is composed of tangible personal property to be consumed in normal business operations.
- 8.4.2 Operating Materials and Supplies (OMAS) Held for Use, (Store Stock). Material which is held and repetitively procured, stored and issued on the basis of recurring demand; considered "operating materials and supplies" under SFFAS No. 3.

8.4.3 Operating Materials and Supplies Held in Reserve for Future Use, (Stand-By Stock). Material held for emergencies; considered "stockpile materials" under SFFAS No. 3.

8.4.4 Operating Materials and Supplies, Program Stock. Material acquired by direct purchase or issue from Stores Stock for a specific program and stored until required by the program; may be "operating materials and supplies" under SFFAS No. 3, unless acquired for use in constructing real property or assembling equipment to be used by NASA.

## 8.5 IDENTIFICATION.

8.5.1 NASA shall classify all tangible personal property to be consumed in normal business operations as OMAS. Materials, which are consumable, are reported as operating materials and supplies and expensed as consumed. Consumables would include items less than \$100,000 or items greater than \$100,000 that do not have an estimated useful life of 2 years or more. However, materials, including spare parts, which meet the capitalization criteria (i.e., cost is \$100,000 or more and useful life is 2 years or more) are classified as re-usable and should be reported as property, plant, and equipment (PP&E), capitalized, and depreciated over the remaining useful life of the end asset they support (i.e., shuttle, space station, other programs, etc.)

## 8.6 VALUATION.

8.6.1 Materials will be recorded at acquisition cost using one of the valuation methods (i.e., specified in SFFAS No. 3 which include first-in, first-out (FIFO); weighted average; moving average cost flow or another valuation method which approximates one of those methods). Acquisition costs shall include all appropriate purchase and production costs incurred to bring the items to their current condition and location. Cash discounts, when taken, are credited to the appropriate cost account 6100.9997. Donated materials shall be valued at their fair value at the time of donation.

8.6.2 Materials acquired through exchange of non-monetary assets (i.e., barter) shall be valued at the fair value of the asset received at the time of exchange. Each replenishments of stock through procurement or transfer will require a redetermination of the stock unit price when the weighted moving average is used.

## 8.7 RECOGNITION.

8.7.1 When OMAS is issued to an end user for consumption in normal operations, the recorded value shall be removed from OMAS (i.e., the asset account) and reported as an operating expense in the same reporting period they were issued. Tangible personal property for use in constructing real property or assembling equipment, with a useful life of two years or more, and with a value of \$100,000 or more should not be reported as OMAS.

- 8.7.2 Excluded are (1) goods that have been acquired for use in constructing real property or assembling equipment to be used by the entity, (2) stock pile materials, (3) goods held under prize stabilization programs, (4) foreclosed property, and (5) seized and forfeited property.
- 8.7.3 General ledger accounts shall be updated on a monthly basis. Adjustments to the general ledger based on reconciliations with the materials records shall be recorded to coincide with month-end closeouts and annual reporting of materials.
- 8.7.4 Acquisition of Material Stocks. Additions to stock acquired by purchase of OMAS will be recorded in general ledger accounts 1511.0100, 1512.0100, or 9995.0900, in accordance with Section 8.6 above and coded in the Center accounting system with the appropriate 26XX object class. Additions to stock by transfer from other NASA Centers or Federal agencies will also be recorded in general ledger accounts 1511.0100, 1512.0100, or 9995.0900.
- 8.7.5 Issues. Items requisitioned from stock will be costed based upon data supplied by Center SEMO.
- 8.7.6 Adjustments.
- A. Changes in material balances caused by or resulting from physical differences, errors, losses, damage and destruction, etc., will be recorded in accounts 1511.0100, 1512.0100, or 9995.0900 with offsetting entries to account 9995.0901 when Program Stock, or 7210.0100, 7190.0000 or 7290.0000 as appropriate when Stores Stock or Stand-by Stock. Headquarters, OCFO, Property Branch may reverse this entry and process these losses as a debit to 6790.0000 if deemed immaterial. If the entry is reversed, the Center shall be notified. Adjustments to Stores Stock and Stand-by Stock should be reflected in appropriated fund accounts as an expense or a refund, as appropriate.
  - B. Financial records will be adjusted based on data provided by the Center SEMO, to reflect adjustments to the property records approved by designated officials in accordance with the NASA Materials Inventory Management Manual (NASA Policy and Requirements (NPR) 4100.1).
- 8.7.7 Return to Stock. Items returned to stock for credit or without credit will be recorded in accounts 1511.0100, 1512.0100, or 9995.0900 at the lower of original or current issue price.
- A. The return of items issued from Stores or Stand-by Stock will be recorded as a debit to 1511.0100, or 1512.0100 and a credit to 6100.8600 when a refund is given to the returning activity's appropriated fund accounts.
  - B. The return of items issued from Program Stock will be recorded as a debit to 9995.0900 with a credit to 9995.0901; no refund to the returning activity's appropriated funds will be recorded.

- C. Credits to appropriated fund accounts for Stores or Stand-by Stock returns will not be processed when the initial activity charged cannot be determined. Returns will be recorded at a zero unit cost and the weighted moving average recalculated.

## 8.8 DISPOSAL.

- 8.8.1 Exchange/Sale. When items are traded in, the value of the item traded in will be removed from the 1511.0100, 1512.0100, or 9995.0900 accounts with an offset to account 6100.8600, or 9995.0901 as appropriate. Items purchased will be recorded in the 1511.0100, 1512.0100, or 9995.0900 accounts in accordance with Section 8.6 above at acquisition cost, including the amount received for the trade-in.
- 8.8.2 Disposal. Disposal of materials will be recorded as a reduction to the appropriate accounts with offsetting entries to Account 9995.0901 for Program Stock or 7210.0100 or 7290.0000 as appropriate for Stores and Stand-by Stock. The Agency OCFO, Property Branch may reverse this entry and process these losses as a debit to 6790.0000 if deemed immaterial. If the entry is reversed, the Center shall be notified.